

# EXPLANATION OF GOVERNOR PATTON'S 2003 SPENDING PLAN



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## **Introduction**

It is well recognized that a budget is the financial plan for an organization; the budget reflects policy decisions on how to allocate limited resources among unlimited needs and demands - the budget is the primary policy document of an organization. The budget communicates important financial and programmatic information to both internal and external users. The budget is a management tool.

The General Assembly of the Commonwealth of Kentucky did not, during either the 2002 Regular Session nor the First Extraordinary Session, enact an appropriations bill for either the Executive Branch or the Judicial Branch for the July 1, 2002 - June 30, 2004 biennium as “anticipated” by the Constitution of the Commonwealth.

Kentucky is one of 12 states identified by the National Conference of State Legislatures (NCSL) as having no constitutional or statutory provisions providing specific direction for the expenditure of funds in the event the General Assembly fails to enact an appropriations bill or a budget. (The NCSL survey indicated that nine states have provisions for “continuation” spending at previously appropriated levels in the event that the legislature fails to enact a budget. The NCSL survey indicated that in 25 states there are provisions that, if the legislature fails to enact a budget, the government is shut down - or that payments continue only for only “essential government services.” In four states, other provisions are provided for in the event a budget is not legislatively enacted.<sup>1</sup>)

It is not in the best interests of the people of Kentucky to operate state government with an undefined “continuation” spending program nor is it in the best interest of the people to shut down government services totally or partially. Kentucky state government provides a myriad of needed services to its people; the delivery of these services and the day-to-day operation of state government is important to the health and well-being of our citizens and to the economic prosperity of the state. Therefore, the failure of the Kentucky General Assembly to adopt an Appropriations Bill for the 2002-2004 biennium, requires Governor Paul E. Patton to implement a Spending Plan that ensures the continued operation of state government on an emergency basis.

Governor Patton’s fiscal year 2003 Spending Plan is not a “budget”-- the Governor does not have the authority to “legislate” or to make “appropriations.” However, the Governor does have the authority, and the responsibility, to ensure the efficient operation and management of state government. The Governor, as the Chief Magistrate of the Commonwealth, has the authority and responsibility to operate and manage all functions of the Executive Branch of government within the context of a fiscally responsible balanced budget.

The purpose of this document is to articulate those components of the Governor’s fiscal year 2003 Spending Plan that differ from the provisions of House Bill 1 as approved by the House of Representatives in the 2002 Extraordinary Session of the Kentucky General Assembly. (House

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<sup>1</sup> National Conference of State Legislatures, Vol.6, No.14; March 1998

Bill 1 represented a melding of the policy and financial decisions introduced in the Executive branch budget in January 2002 and the approvals and modifications made to that budget by the respective Chambers of the General Assembly throughout the course of the Regular 2002 Session.) The Senate adopted House Bill 1 Senate Committee Substitute (SCS). The financial differences between House Bill 1 and House Bill 1 SCS are de minimus and are detailed in Attachment B.

## **Goals of Governor Patton's Fiscal Year 2003 Spending Plan**

The goals for Governor Patton's fiscal year 2003 Spending Plan are to:

- 1) provide for the continued efficient operation of state government; avoid a shutdown or partial shutdown of government services;
- 2) provide for needed wage and salary increases for state employees and teachers;  
and
- 3) mirror, to the maximum degree possible, the financial provisions provided for in House Bill 1 as introduced during the Special Session and as adopted by the House of Representatives.

## **Legal Analysis**

To assist Governor Patton in the development of a fiscal year 2003 Spending Plan, a legal team was assembled to determine executive authority pursuant to the Kentucky Constitution and statutes. This legal team was comprised of:

- General Counsel, Office of the Governor,
- Office of the Attorney General,
- Office of the Legal and Legislative Services, Finance and Administration Cabinet,
- Outside Legal Counsel with extensive expertise in Kentucky constitutional law.

After thorough legal research of both constitutional and case law in Kentucky and in other states, the Governor was advised of the clear legal consensus that the Governor, as the Chief Magistrate of the Commonwealth, has broad but not unlimited, spending authority over the Executive Branch given the failure of the General Assembly to timely enact a budget.

The primary findings of this legal analysis were that the failure of the General Assembly to enact a budget imperils the health, safety, and welfare of our citizens and creates an emergency requiring executive action. Given this emergency, the Governor, as the Chief Magistrate of the Commonwealth, has not only the authority, but also the responsibility to ensure the sound and orderly operation of government. To do so requires the development and implementation of a Spending Plan to govern the Executive Branch of state government during the 2003 fiscal year. Importantly, this allows the General Assembly the opportunity to confirm or modify the Spending Plan in a Special Session should one be convened, or in the next Regular Session of the General Assembly (January 2003), as well as the opportunity to adopt a budget for fiscal year 2004, the second year of the fiscal biennium.

It should be noted that the General Assembly adopted an Appropriations Bill for the Legislative Branch of government in the 2002 Regular Session; the General Assembly failed to enact an Appropriations Bill for the Judicial Branch of government. It is recognized that the Chief Justice of the Kentucky Supreme Court also has broad authority to implement a judicial order which identifies a Spending Plan for the Judicial Branch of government.

The Governor's Spending Plan will be effectuated by an Executive Order that references a Finance and Administration Cabinet Secretary's Order. The Secretary's Order details spending targets, by fund source, for all budget units (appropriation units) of the Executive Branch.

## **Criteria for Evaluating Elements of the Spending Plan**

Given the consensus legal opinion that the Governor has broad, but not unlimited budgetary authority when the General Assembly fails to enact a biennial budget, a detailed analysis was undertaken by the Office of the State Budget Director (OSBD) to determine the specific provisions of House Bill 1 that could be incorporated into a Spending Plan, and those elements of House Bill 1 that could not be included in an Executive Spending Plan. The specific criteria used to evaluate the appropriateness of each provision of House Bill 1 (both financial and other than financial) included:

- The requirement for the Commonwealth to have a balanced budget;
- The broad ability to manage government granted to the Governor as the Chief Magistrate of the Commonwealth as identified in the Kentucky Constitution;
- The practical need to operate government activities absent a legislatively enacted budget;
- Prior legislative actions as measured by consideration of each element of House Bill 1 by the House of Representatives and the Senate; prior legislative action as measured by consideration of each element of House Bill 507 by the House of Representatives and the Senate;
- An identification of previous actions by the General Assembly with regard to provisions contained in House Bill 1 that were also previously specifically provided for in House Bill 502 (enacted Executive Branch Appropriations Bill, 2000 General Assembly), and/or House Bill 321 (enacted Executive Branch Appropriations Bill, 1998 General Assembly); and
- The authority granted to the Governor by the statutory budget reduction plan (KRS 48.130). It should be noted that both statutorily, the Governor has been granted broad authority to take actions necessary to ensure fiscal responsibility and a balanced budget when revenues have not met the projections upon which the budget was based.

Each financial component of House Bill 1 and each language provision contained in House Bill 1 was reviewed and analyzed based upon the enumerated criteria to determine its appropriateness for inclusion in the Governor's Spending Plan.

## **Elements of House Bill 1 Excluded from Governor Patton's Fiscal Year 2003 Spending Plan**

Four general categories of provisions contained in House Bill 1 were determined to be excluded from Governor Patton's fiscal year 2003 Spending Plan. These include:

- Provisions of House Bill 1 dealing with revenue and tax policy issues such as language "closing tax loopholes"; language extending certain tax credits to racetracks for another two years (as originally provided in House Bill 502 in 2000 for the 2000 – 2002 budget period); and other revenue measures contained in House Bill 1 that would change or otherwise modify existing tax laws.
- Provisions for changing statutorily established fees for three agencies of state government: Charitable Gaming Commission; Board of Hairdressers and Cosmetologists; and the Department for Public Health in the Cabinet for Health Services.
- Provisions for the authorization and issuance of bonds. House Bill 1 originally provided for the authorization and issuance of \$351,647,000 in bonds in fiscal year 2003 with the corresponding debt service appropriated in fiscal year 2004. (The conventional practice in the municipal market is for debt service to be paid semi- annually. House Bill 1 would have permitted issuance of bonds in fiscal year 2003 any time after January 1, and appropriated debt service in fiscal year 2004 to make the first debt service payment six months after the issuance of the bonds.) (See Attachment C
- Provisions for suspension of statutory law not quantifiably related to the development of a balanced budget. Over a number of years a variety of court cases have determined that the Appropriations Bill overrides other conflicting statutes for the temporary two-year period for which the Appropriations Bill is effective. Therefore, the Appropriations Bill has often been used to temporarily suspend or modify substantive law. The majority of Appropriations Bill suspensions of substantive law are contained in Part IX of House Bill 1 – the Special Provisions. There are numerous changes in substantive laws that were part of House Bill 1 as considered by the 2002 Extraordinary Session and House Bill 507 in the 2002 Regular Session that are not incorporated in Governor Patton's fiscal year 2003 Spending Plan.



## **Itemization of Exceptions from House Bill 1**

### **Revenue and Tax Policy**

#### *Part III – General Provisions – Race Track Tax Credit*

Notwithstanding KRS 138.510, tracks with an average daily handle of one million two hundred thousand dollars (\$1,200,000) or more shall be allowed a tax credit equal to twelve thousand dollars (\$12,000) multiplied by the number of racing days at the track for the fiscal year beginning after June 30, 2002 and ending June 30, 2003, and twelve thousand dollars (\$12,000) multiplied by the number of racing days at the track for the fiscal year beginning after June 30, 2003, and ending June 30, 2004, if an amount equal to at least fifty percent (50%) of the credit is used for capital improvements and at least fifty percent (50%) is used for horsemen's incentives. Capital improvement means any addition, replacement, or remodeling of a structural unit of the track, including but not limited to the construction of barns used for the track, backstretch facilities for horsemen, paddock facilities, new pari-mutuel and totalizator or equipment, new access roads, new parking facilities, the reconstruction, reshaping, or leveling of the racetrack, the installation of permanent new heating or air conditioning, and installations of a permanent nature forming part of the track structure. Fifty percent (50%) of the amount of the tax credit for the horsemen's incentives shall be allocated to purses at the track and fifty percent (50%) allocated for stabling and transportation costs. The method of dispersal of the stabling and transportation costs shall be agreed upon by the track receiving the tax credit and the horsemen's group or groups contracting with the track. If a track fails to complete a qualifying capital improvement or make qualifying expenditures for horsemen's incentives, the Kentucky Economic Development Finance Authority as created under KRS 154.20-010 shall order the track to repay to the state all or any portion of the amount of the tax credit received by the track. The track receiving the credit shall report quarterly to the Interim Joint Committee on Appropriations and Revenue on the amounts of qualifying capital improvements and expenditures for horsemen's incentives made for which the credit is claimed.

#### *Part III – General Provisions – Harness track tax credit*

Notwithstanding KRS 138.510, for fiscal year 2002-2003 and fiscal year 2003-2004, all harness racetracks licensed by the Kentucky Racing Commission shall not be required to pay the excise tax imposed under KRS 138.510(2) and that amount that would have been paid shall be retained by the track to promote and maintain its facilities and its live meet.

#### *Part III – General Provisions – No use tax on print material*

Notwithstanding the provisions of KRS 139.340, a commercial printer or mailer engaged in business in this state shall not be required to collect use tax on sales of printing or direct mail advertising materials that are both printed out of state and delivered out of state to the United States Postal Service for mass mailing to third party Kentucky residents who are not purchasers of the advertising materials if the commercial printers or mailers:

- (a) Maintain records relating to these sales to assist in the collection of the use tax owed; and
- (b) File reports as provided in KRS 139.730 if requested by the Revenue Cabinet.

If the commercial printer or mailer complies with these reporting provisions, the purchaser of the printing or direct mail advertising materials described in this section shall have sole responsibility for payment of the use tax imposed in KRS 139.310.

*Part IX – Special Provisions Revenue Cabinet*  
Revenue

- a. Sales Tax on Communications Services: Notwithstanding the provisions of KRS 139.505, all applicants filing on or after June 1, 2002, for the refundable credit for sales tax paid on communications services shall comply with the following: any business whose interstate communications services, subject to the sales tax imposed under KRS Chapter 139 and deducted for federal income tax purposes, exceeds five percent (5%) of the business's Kentucky gross receipts during the preceding calendar year is entitled to a refundable credit if the business's annual Kentucky gross receipts are equal to or more than one million dollars (\$1,000,000), and the majority of the interstate communications service billed to a Kentucky service address for the annual period is for communications service originating outside of this state and terminating in this state.

The refundable credit shall be equal only to the sales tax paid on the difference by which the interstate communications service purchased by the business exceeds five percent (5%) of the business's Kentucky gross receipts.

To facilitate the administration of the refundable tax credit, the Revenue Cabinet shall grant eligible businesses which apply for the tax credit permission to directly report and pay the sales tax applicable to the purchase of communications service. Once the business receives permission to directly report and pay the tax, refunds of the tax paid on communications service shall not include any sales tax collected and paid by a communications service provider to the Cabinet.

- b. Deduction for Taxes Paid to Foreign Countries: Notwithstanding the provisions of KRS 141.010(11)(a), effective for taxable years beginning after December 31, 2001, the deduction for taxes paid to foreign countries is not allowable.
- c. Natural Gas Distribution Services: Notwithstanding KRS 139.100, the furnishing of natural gas or electric distribution services or natural gas or electric transmission or transportation services shall be retail sales subject to sales and use tax except for the furnishing of those services to residential customers as defined in KRS 139.470(8).

*Part IX – Special Provisions Tourism*  
Tax Credit Program

- a. Tax Credit Program: Notwithstanding any provision of KRS 148.855 to the contrary, the independent consulting firm shall consult with the Tourism Development Finance Authority, the Office of State Budget Director, the Finance and Administration Cabinet, and the Revenue Cabinet in the development of the report. The Office of State Budget Director, the Finance and Administration Cabinet, and the Revenue Cabinet shall agree as to the methodology to be used and assumptions to be made by the independent consultant in preparing its report. On the basis of the independent consultant's report and prior to any approval of a project by the Authority, the Office of State Budget Director, the Finance and Administration Cabinet, and the Revenue Cabinet shall certify to the Authority whether there is a projected net positive economic impact to the Commonwealth and the expected amount of incremental state revenues from the project. Approval shall not be granted if it is determined that there is no projected net positive economic impact to the Commonwealth.

Notwithstanding any provision of KRS 148.859(1)(a) to the contrary, any increase in approved costs incurred by the approved company and agreed to by the Authority shall apply retroactively for purposes of calculating the carryforward for unused inducements as set forth in KRS 139.536(3) for tax years commencing on or after July 1, 2004. Notwithstanding KRS 148.859(1)(c) to the contrary, the term shall be ten (10) years from the later of the date of final approval of the project or the original completion date specified in the agreement, if this completion date is within three (3) years of the date of the final approval of the project. An extension of the original completion date shall not alter the commencement of the term and, notwithstanding KRS 148.859(1) to the contrary, upon request from an approved company that has completed at a minimum fifty percent (50%) of an entertainment destination center, the Authority shall grant an additional extension or change to that provided in subsection (1)(b) of KRS 148.859, of up to three (3) years, which in no event shall exceed six (6) years from the date of final approval, to the completion date as specified in the agreement of the approved company, provided that:

- (1) The approved company shall have spent or have contractually obligated to spend an amount equal to or greater than the amount of approved costs set forth in the initial agreement;
- (2) The term of the agreement shall not be extended; and
- (3) The scope of the entertainment destination center, as set forth in the initial agreement, shall not be altered to include new or additional entertainment and leisure options.

## **Changing Statutory Fees**

### *Part I – Operating Budget Board of Hairdressers and Cosmetologist*

Notwithstanding KRS 317A.050, The Board of Hairdressers and Cosmetologists is permitted to increase the licensing and renewal fees necessary to provide for the enacted budget expenditure level.

### *Part I – Operating Budget Public Health*

Notwithstanding any other statutory provisions to the contrary, the Secretary shall promulgate such administrative regulations as may be required to prescribe such user fees as are necessary to support the Restricted Funds appropriations above.

### *Part I – Operating Budget Health Services – Administrative Support*

Notwithstanding any other statutory provisions to the contrary, the Secretary shall promulgate such administrative regulations as may be required to prescribe such user fees as are necessary to support the Restricted Funds appropriations above.

### *Part I – Operating Budget Charitable Gaming*

Notwithstanding KRS 238.570, the gross receipts fee for fiscal year 2002-2003 and fiscal year 2003-2004 shall be fifty-three one-hundredths percent (.53 %).

## **Authorized Issuance of Bonds**

See Attachment C

## **Changes in Substantive Law**

### *Part I – Operating Budget School Facilities Construction Commission*

Notwithstanding any provisions of KRS 157.611 to 157.665, the School Facilities Construction Commission is authorized to make an additional \$100,000,000 in offers of assistance during the 2002-2004 biennium in anticipation of debt service availability during the 2004-2006 biennium. No bonded indebtedness based on the above amount is to be incurred during the 2002-2004 biennium

### *Part I – Operating Budget Kentucky Workers' Compensation Funding Commission*

Notwithstanding the provisions of KRS 342.122(1)(b), the workers' compensation assessment rate shall remain at eleven and one-half percent (11.5%) for the biennium.

### *Part III – General Provisions-EMPOWER KY*

However, KRS 45.760(14), 45.770, 45.780, and 45.800 Notwithstanding, no funds from the Emergency Repair, Maintenance and Replacement Account shall be used for Technology Trust Fund projects, systems, or initiatives.

### *Part III – General Provisions – Sovereign Immunity automobile insurance*

Notwithstanding any provision of the Kentucky Revised Statutes, to the extent that any governmental agency purchases motor vehicle liability insurance, sovereign immunity shall be waived to the extent of the insurance coverage.

### *Part III – General Provisions – Louisville/Jefferson County Merger*

Notwithstanding KRS 97.035(1), (2), and (3), when a city of the first class and a county containing such city have in effect a compact under KRS 79.310 to 79.330, such city and county shall by joint action create a joint city/county department to maintain and conduct a park and recreational system or systems. In such event, the board shall be dissolved as a corporate entity and all assets and liabilities of the board shall be transferred to the joint department. An advisory board may be established by joint agreement of such city and county. Notwithstanding KRS 97.035(1), (2), and (3), any city, except a city of the first class, and a county, except a county containing a city of the first class, operating a joint system under KRS 97.035 may by joint action create a joint city/county department to maintain and conduct a park and recreational system or systems. In such event, the board shall be dissolved as a corporate entity and all assets and liabilities of the board shall be transferred to the joint department. An advisory board may be established by joint agreement of such city and county.

#### *Part VI – General Fund Budget Reduction Plan*

- (5) Notwithstanding the provisions of KRS 48.130 and KRS 48.600, if the actions contained in subsections (1) through (4) of this section are insufficient to eliminate an actual or projected revenue shortfall in the enacted General Fund revenue receipts, then the Governor is empowered and directed to take necessary actions with respect to the Executive Branch budget units to balance the budget by such actions conforming with the criteria expressed in the preceding subsection.

#### *Part VII – Road Fund Budget Reduction Plan*

Notwithstanding the provisions of KRS 48.130, in the event of an actual or projected shortfall in estimated Road Fund revenue receipts of \$1,097,539,300 in fiscal year 2002-2003 and \$1,131,218,300 in fiscal year 2003-2004 as determined by KRS 48.120(3), the Governor shall implement sufficient reductions as may be required to protect the highest possible level of service.

#### *Part VIII – Road Fund Surplus Expenditure Plan*

Notwithstanding KRS 48.140 and pursuant to KRS 48.710, there is established a plan of expenditures from the Road Fund Surplus Account.

#### *Part IX – Special Provisions Governor's Office of Technology*

CMRS Board: Notwithstanding any other provision of law, no information provided to the CMRS Board under KRS 65.7639 shall be disclosed other than to the submitting CMRS provider, the administrator, the board, and the independent certified public accountant retained by the Board under KRS 65.7629(13) without the express permission of the submitting CMRS provider unless ordered by a court of competent jurisdiction

#### *Part IX – Special Provisions Attorney General*

- a. Deputy and Assistant Attorneys General Salaries: Notwithstanding KRS 15.100, the Attorney General may set the salary for the deputy attorney general and the salary for the two (2) assistant deputy attorneys general at a rate less than that required in KRS 15.100.
- c. Annual and Sick Leave Service Credit: Notwithstanding any statutory or `regulatory restrictions to the contrary, any former employee of the Unified Prosecutorial System who has been appointed to a permanent full-time position under KRS Chapter 18A shall be credited annual and sick leave based on service credited under the Kentucky Retirement System solely for the purpose of computation of sick and annual leave. This provision shall only apply to any new appointment or current employee as of July 1, 1998.
- d. Child Sexual Abuse Exams: Notwithstanding KRS 186.1867, the Transportation Cabinet shall review the costs related to the distribution of child victim's license plates. Any

revenue received from the sale or renewal of these plates in excess of actual costs shall be transferred to the Child Victims Trust Fund on an annual basis.

- f. **Public Funds:** Notwithstanding any provision of common law or statutory law to the contrary, any funds or other assets of any kind or nature, including but not limited to public funds as defined in KRS 446.010, court-ordered settlement agreements under KRS Chapter 367, multi-state settlements, and private funds or assets recovered in a legal action on behalf of the general public, the Commonwealth, or its duly elected statewide public officials shall be deemed public funds, and shall be deposited in the General Fund Surplus Account. The Attorney General shall provide notice to the Governor's Office of Policy and Management and the Legislative Research Commission of the nature of any funds deposited in this account and no funds shall be disbursed without a specific legislative appropriation by the General Assembly while in a regular or special legislative session. This provision shall not apply to any funds or other assets recovered by judgment, settlement, or legal action by or on behalf of the Commonwealth, or other actions filed by a duly elected statewide public official, if the recovery sought and received is for specific individuals, identified as parties to the action, or persons for whom the recovery is received if identified specifically. Identification includes, but is not limited to, identification either by individual Social Security numbers, or other identifying number, or by proper name.

#### *Part IX – Special Provisions Agriculture*

Notwithstanding the provisions of this Section, the Legislative Research Commission shall have the authority to alternatively assign the directives identified in this Section to an interim joint committee or subcommittee thereof, and to designate a study completion date. In the event the Legislative Research Commission assigns the responsibilities and duties relating to the Kentucky Aquaculture Task Force to an interim joint committee or subcommittee thereof, any funds remaining from the amounts provided in Part I, Operating Budget, of this Act for the purpose of preparing the reports to be completed by the Task Force shall be transferred to the Legislative Research Commission.

#### *Part IX – Special Provisions Personnel Board*

**Administrative Hearings Notice:** Notwithstanding KRS 13B.050(2), the Personnel Board shall send notices of administrative hearings by first-class mail.

#### *Part IX – Special Provisions Education Professional Standards Board*

**Employment of Leadership Personnel:** Notwithstanding KRS 18A.005 to 18A.200, the Education Professional Standards Board shall have the sole authority to determine the employees of the Education Professional Standards Board staff who are exempt from the classified service and to set their compensation comparable to the competitive market.



*Part IX – Special Provisions Economic Development – Office of the Secretary*

Notwithstanding KRS 164.6017, the Kentucky Science and Technology Corporation shall submit an annual plan dealing with the allocation of funds from the Science and Technology Funding Program, excluding funds for the Knowledge-Based Economy Academic Programs, for review and approval by the Council on Postsecondary Education and the Office of the New Economy prior to the Council on Postsecondary Education executing a contract with the Corporation to administer Science and Technology Funding Programs.

- b. Department for Coal County Development: Notwithstanding any action to the contrary taken by the 2002 General Assembly during its regular session, the Department for Coal County Development, as created in KRS 154.12-260, is hereby maintained with all authority provided by KRS 154.12-260 and KRS 42.4588.

*Part IX – Special Provisions Economic Development – Financial Incentives*

Notwithstanding KRS 154.20-267, the total amount of Kentucky Investment Fund Act (KIFA) tax credits available to any single investment fund shall not exceed, in aggregate, \$1,000,000 for all investors and all taxable years. Notwithstanding KRS 154.20-267, the total Kentucky Investment Fund Act (KIFA) tax credits available for all investors in all investment funds shall not exceed \$3,000,000 per fiscal year.

Notwithstanding the provisions of Sections 18 and 19 of House Bill 525 as enacted in the 2002 Regular Session of the General Assembly, the Commissioner of the Office for the New Economy shall establish standards and criteria that shall be used to grant investment fund managers a waiver from compliance with the provisions of Section 37 of House Bill 525 and any other requirement under state law that an investment fund manager shall be a registered investment advisor. A waiver granted by the Commissioner of the Office for the New Economy to any investment fund manager that exempts the investment fund manager from complying with the provisions of Section 37 of House Bill 525, or the Kentucky Economic Development Fund Authority's approval of an investment fund or investment fund manager under this section, shall not be construed a certification of the investment fund manager's experience, knowledge, quality or other abilities and competencies. This information shall be conveyed to each investor.

Notwithstanding the provisions of House Bill 525 as enacted in the 2002 Regular Session of the General Assembly, any administrative regulation to be promulgated regarding the programs, policies, or tax credits addressed in House Bill 525 shall be reviewed and approved by the Commissioner of the Office for the New Economy.

*Part IX – Special Provisions Support Education Excellence In Kentucky (SEEK) Program*

- d. Final SEEK Calculation: Notwithstanding KRS 157.410, on or before March 1 of each year the chief state school officer shall determine the exact amount of the public common school fund to which each district is entitled and the remainder of the amount due each

district for the year shall be distributed in equal installments beginning the first month after completion of final calculation and for each successive month thereafter.

- e. Local Revenue: Notwithstanding KRS 160.470(1), all local school districts shall be permitted to levy a tax rate for calendar year 2002 and calendar year 2003 that does not produce more than four percent (4%) more revenue than the compensating tax rate as defined in KRS 132.010.

#### *Education – Executive Policy and Management*

- a. Employment of Personnel: Notwithstanding KRS 18A.115, the Department of Education may fill, through memoranda of agreement, not more than fifty percent (50%) of its existing authorized positions below the division director level with individuals employed as school administrators and educators in Kentucky.
- b. Employment of Leadership Personnel: Notwithstanding KRS 18A.005 to 18A.200, the Kentucky Board of Education shall continue to have sole authority to determine the employees of the Department of Education who are exempt from the classified service and to set their compensation comparable to the competitive market.

#### *Education – Learning and Results Services*

- b. Kentucky Education Technology System: Area Vocational Education Centers shall be fully eligible to participate in the Kentucky Education Technology System. Notwithstanding KRS 157.650 to 157.665, the School Facilities Construction Commission, in consultation with the Kentucky Board of Education and the Kentucky Department of Education, shall develop administrative regulations which identify a methodology by which the average daily attendance for Area Vocational Education Centers may be equated to the average daily attendance of other local school districts in order that they may receive their respective distributions of these funds.
- g. Allocation of Safe School Funds: Notwithstanding KRS 158.446, the General Fund appropriations in this Act in Part I, D., Section 32, Learning and Results Services, the Center for School Safety shall develop and implement allotment policies for all moneys received for the purposes of KRS 158.440 to 158.442 and KRS 158.445 to 158.446.
- j. Program Flexibility: Notwithstanding KRS 157.226(2) and (3), KRS 157.3175(3) and (4), and KRS 160.345(8) with regards to the state allocation, five (5) programs (Professional Development, Extended School Services, Preschool, Textbooks, and Safe Schools) shall be modified to permit the state and local school districts additional flexibility in the distribution of program funds while still addressing the governing statutes and serving the need and the intended student population.
- k. Advisory Council for Gifted and Talented Education: Notwithstanding the provisions of KRS 158.648(1), a member of the Advisory Council for Gifted and Talented Education may be reappointed but may not serve more than three (3) consecutive terms.

### *Part IX – Special Provisions Teachers' Retirement System*

Highly Skilled Educators' Retirement Benefits: Notwithstanding KRS Chapter 158 and KRS Chapter 161, salary supplements received by persons selected as highly skilled educators on or after July 1, 2000, shall not be included in the total salary compensation for any retirement benefits to which the employee may be entitled.

### *Part IX – Special Provisions School Facilities Construction Commission*

Local Districts Facilities Plans: Notwithstanding the provisions of KRS 157.622(3), funds allocated by the School Facilities Construction Commission to local school districts for fiscal year 2002-2003 and fiscal year 2003-2004 shall be applied to the projects listed in the most current facility plan approved for the district by the Kentucky Board of Education and the funds shall be applied to projects in the priority order listed in the plan.

- b. Offers of Assistance: Notwithstanding KRS 157.622, a local school district may accumulate credit, subject to the availability of funds, for its unused state allocation for a period not to exceed eight (8) years.
- d. Growth Nickel Levy: The Facilities Support Program of Kentucky is fully funded in fiscal biennium 2002-2004. Notwithstanding KRS 157.621(3), local school districts may exercise authority expressed in KRS 157.621(1) and (2).
- e. Facilities Plans: Notwithstanding KRS 157.620(5), any school district that did not receive an offer of assistance during the 2000-2002 biennium that resulted from the \$100,000,000 authorization of the 2000 General Assembly, that has an unmet need established based on the facility plan in effect on June 30, 2002, shall receive an offer of assistance based on any increase to the above-referenced authorization made by the 2002 General Assembly that is not specifically designated for another purpose.

### *Part IX – Special Provisions Cabinet for Health Services*

#### *Medicaid Services – Benefits*

Notwithstanding any other provision of this Act or law, in any fiscal year for which all the parties to the Quality and Charity Care Trust Agreement so agree, the General Fund appropriation to fulfill the Commonwealth's contractual obligation relating to the Quality and Charity Care Trust Agreement or any portion thereof, together with any other funds paid to the Quality and Charity Care Trust contractual obligation of the parties, or any portion thereof, shall be transferred to the Department for Medicaid Services as part of its Restricted Funds appropriation for Benefits. In any fiscal year for which all the parties to the Quality and Charity Care Trust Agreement do not agree to transfer all or any portion of the Trust's revenues to the Department of Medicaid Services for Benefits, the Quality and Charity Care Trust shall operate pursuant to its contractual provisions.

### *Mental Health/Mental Retardation*

Kentucky Commission on Services and Supports for Individuals with Mental Illness, Alcohol and Other Drug Abuse Disorders and Dual Diagnoses: Notwithstanding KRS 210.504, the Department for Mental Health/Mental Retardation shall provide at least \$12,500 each fiscal year to be distributed to support the continued operation of the fourteen (14) regional planning councils and support for Commission activities relating to the mandates of HB 843, as enacted by the 2000 General Assembly, through June 30, 2004. The regional planning councils shall make recommendations for, and the Commission shall develop, a two (2) year work plan for specifying goals and strategies relating to services and supports for individuals with mental illness and alcohol and other drug disorders and dual diagnoses, and efforts to reduce the stigma associated with mental illness and other substance abuse disorders. The Commission shall report workgroup activities and findings to the Governor and Interim Joint Committee on Health and Welfare by December 1 of each year.

### *Certificate of Need*

Notwithstanding KRS 216B.020(1), the provisions of KRS Chapter 216B that relate to the issuance of a certificate of need shall not apply to a health facility that will provide primary care services, twenty-four (24) hour emergency services, diagnostic imaging including magnetic resonance imaging, ambulatory surgical services, and such other outpatient services as necessary to serve the needs of residents of a county if there are no review criteria for those other outpatient services in the state health plan and if the health facility will be located in a county that has no hospital, has a population of sixty thousand (60,000) or more persons, and is a medically underserved area as determined by the Secretary of the Federal Department for Health and Human Services. The listed facility or services shall be subject to licensure, when applicable. The Cabinet for Health Services shall work in conjunction with the fiscal court of the county in which the health facility under this subsection is to be located to issue a request for proposal for only one (1) health facility no later than four (4) months following the effective date of this Act. If the cabinet and county both do not agree on the selection of the proposal within six (6) months following the effective date of this Act, then there shall be no exemption from a certificate of need for a health facility under this section. No proposal shall be selected under this paragraph more than six (6) months after the effective date of this Act.

### *Aging Services*

Local Match Requirements: Notwithstanding KRS 205.460, entities contracting with the Cabinet for Health Services to provide essential services under KRS 205.455 and this provision shall provide local match equal to or greater than the amount in effect during fiscal year 2001-2002. Local match may include any combination of materials, commodities, transportation, office space, personal services, or other types of facility services or funds. The Secretary of the Cabinet for Health Services shall prescribe the procedures to certify the local match assurance.

*Part IX, Special Provisions Justice Cabinet*

*Community Services and Local Facilities*

- a. Probation and Parole Credit: Notwithstanding KRS 439.344, the period of time spent on parole shall count as a part of the prisoner's remaining unexpired sentence, when it is used to determine a parolee's eligibility for a final discharge from parole as set out in KRS 439.354; or when a parolee is returned as a parole violator for a violation other than a new felony conviction.

*Part IX – Special Provisions Natural Resources and Environmental Protection Cabinet*

*Kentucky Nature Preserves Commission*

Minor Use or Development: Notwithstanding KRS 146.410 to 146.530, the Kentucky State Nature Preserves Commission may allow a minor use or development upon or near the property boundary of a nature preserve when the minor use or development results in the addition of acreage to the preserve, furthers the goal of encouraging land use adjacent to the preserve which can help protect the character of the preserve, furthers an important public purpose identified by another state or local public agency, and does not substantially or fundamentally alter the character of the preserve.

*Part IX – Special Provisions Postsecondary Education*

*Council on Postsecondary Education*

- i. Kentucky Science and Technology Corporation: Notwithstanding the provisions of KRS 164.6017, the Kentucky Science and Technology Corporation shall submit an annual plan detailing the annual allocation of funds from the Science and Technology Funding Program, excluding funds for the Knowledge-Based Economy Academic Programs, for review and approval by the Council on Postsecondary Education and the Office of the Commissioner for the New Economy within the Cabinet for Economic Development, prior to the Council on Postsecondary Education executing a contract with the Corporation to administer Science and Technology Funding programs.
- k. Concept Phase Funding Pool: Notwithstanding the provisions of KRS 164.6021, the funds appropriated in Part I, Operating Budget, to the Council on Postsecondary Education for the Research and Development Voucher Program may be used to fund the Concept Phase Funding Pool.
- m. Postsecondary Education Employment Status: Notwithstanding KRS 164.225, 164.360, and 164.830, the appointment of a relative to the governing board of a public postsecondary education institution, as defined under KRS 164.001, shall not affect the employment status of any related person employed at least thirty-six (36) months prior to the appointment of the relative.

### *Kentucky Higher Education Assistance Authority*

Student Loan Corporation: Notwithstanding KRS 164.240, the Kentucky Higher Education Student Loan Corporation may finance the educational loan programs through the issuance of its bonds or notes subject to the provisions set forth in KRS 164A.010 to 164A.230, provided that the proceeds of the bonds may be used for the educational loan programs and shall not be commingled with the proceeds of bonds or notes financing insured student loans as defined by KRS 164A.020; provided further that the corporation may without further approval finance education loans which are not insured student loans in an aggregate principal amount not exceeding \$10,000,000 from the proceeds of any bonds, notes, or lines of credit of the corporation which are primarily secured by insured student loans. The bonds or notes issued under the provisions of this subsection shall be special and limited obligations, payable solely and only from the receipts pledged, and shall not constitute an indebtedness or liability of the Commonwealth or a pledge of the faith and credit of the Commonwealth. In addition, no bonds or notes may be issued by the corporation for the purpose of financing a nongovernmentally insured education loan pursuant to this section except upon a finding by the Governor and the Legislative Research Commission that the loans are necessary to meet the financial needs of Kentucky residents to obtain a postsecondary education; provided that the corporation may without further approval finance education loans which are not insured student loans in an aggregate principal amount not exceeding \$10,000,000 from the proceeds of any bonds, notes, or lines of credit of the corporation which are primarily secured by insured student loans. In making the determination of need, the Governor and Legislative Research Commission shall consider the availability of other student assistance resources.

### *Kentucky Community and Technical College System*

Land Proceeds: Notwithstanding the provisions of KRS 45.777, proceeds in the amount of \$225,600 for the sale of KCTCS property located at Lincoln Park, 1501 Bland Street, Louisville, Kentucky 40217 to the Jefferson County Public School System shall be retained by KCTCS for Jefferson Community College. These proceeds are for fiscal year 2001-2002 authorization.

### *Part IX – Special Provisions Transportation Cabinet*

Notwithstanding KRS 176.440(2), any project additions or modifications that the 2002 General Assembly may make to the fiscal year 2002-2008 Recommended Six Year Road Plan shall carry the same force of law as projects that were included in the fiscal year 2002-2008 Recommended Six Year Road Plan as submitted by the Executive Branch.

*Part IX – Special Provisions Workforce Development Cabinet*

*Technical Education*

Participation in the Education Technology Program by Area Vocational Education Centers: Area Vocational Education Centers shall be fully eligible to participate in the Kentucky Education Technology System. Notwithstanding KRS 157.650 to 157.665, the School Facilities Construction Commission, in consultation with the Kentucky Board of Education and the Kentucky Department of Education, shall develop administrative regulations which identify a methodology by which the average daily attendance for Area Vocational Education Centers may be equated to the average daily attendance of other local school districts in order that they may receive their respective distributions of these funds. The School Facilities Construction Commission shall include Area Vocational Education Centers in any offers of assistance to local school districts for technology assistance during the 2002-2004 fiscal biennium.



# **ATTACHMENT A**

## **GOVERNOR'S SPENDING PLAN FISCAL YEAR 2003 SPENDING TARGETS**

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# Governor's Spending Plan

## Fiscal Year 2002-2003

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Budget Units

FY 2002-2003

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Government Operations

Executive Office of the Governor

Office of the Governor

General Fund	7,651,000
Restricted Funds	1,911,000
Federal Funds	71,000
Total	9,633,000

Office of State Budget Director

General Fund	3,665,000
Restricted Funds	923,000
Total	4,588,000

State Planning Fund

General Fund	490,000
Total	490,000

Total Executive Office of the Governor

General Fund	11,806,000
Restricted Funds	2,834,000
Federal Funds	71,000
Total	14,711,000

Governor's Office of Technology

General Fund	300,000
Restricted Funds	61,318,000
Road Fund	125,000
Total	61,743,000

Governor's Office of Veterans Affairs

General Fund	14,448,500
Restricted Funds	18,448,100
Total	32,896,600

Governor's Office of Early Childhood Development

General Fund	213,500
General Fund (Tobacco)	2,188,400
Restricted Funds	50,000
Federal Funds	175,000
Total	2,626,900

## Kentucky Infrastructure Authority

Restricted Funds	2,579,000
Federal Funds	50,313,000
Total	52,892,000

## Governor's Office of Agricultural Policy

General Fund (Tobacco)	47,688,000
Restricted Funds	155,900
Total	47,843,900

## Kentucky Agency for Substance Abuse Policy

General Fund	1,500,000
General Fund (Tobacco)	2,574,800
Federal Funds	111,700
Total	4,186,500

## Secretary of State

General Fund	2,360,100
Restricted Funds	878,500
Total	3,238,600

## Board of Elections

General Fund	4,739,700
Restricted Funds	108,600
Total	4,848,300

## Treasury

General Fund	2,275,900
Restricted Funds	815,700
Total	3,091,600

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**Budget Units**

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**FY 2002-2003**

Attorney General		
	General Fund	13,738,900
	Restricted Funds	6,747,400
	Federal Funds	2,351,400
	Total	22,837,700
Unified Prosecutorial System		
Commonwealth Attorneys		
	General Fund	25,108,000
	Restricted Funds	843,300
	Federal Funds	706,600
	Total	26,657,900
County Attorneys		
	General Fund	21,179,900
	Restricted Funds	62,300
	Federal Funds	414,700
	Total	21,656,900
Total Unified Prosecutorial System		
	General Fund	46,287,900
	Restricted Funds	905,600
	Federal Funds	1,121,300
	Total	48,314,800
Auditor of Public Accounts		
	General Fund	5,400,400
	Restricted Funds	3,940,500
	Total	9,340,900
Agriculture		
	General Fund	19,712,400
	Restricted Funds	3,154,800
	Federal Funds	2,130,000
	Total	24,997,200
Military Affairs		
	General Fund	10,979,900
	Restricted Funds	18,680,500
	Federal Funds	19,107,500
	Total	48,767,900

Budget Units	FY 2002-2003
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Personnel Board		
	General Fund	578,500
	Restricted Funds	1,700
	Total	580,200
Local Government		
	General Fund	9,008,100
	Restricted Funds	785,800
	Federal Funds	52,433,900
	Total	62,227,800
Special Funds		
Local Government Economic Assistance Fund		
	General Fund	38,166,200
	Total	38,166,200
Local Government Economic Development Fund		
	General Fund	46,118,300
	Total	46,118,300
Area Development Fund		
	General Fund	830,500
	Total	830,500
Total Special Funds		
	General Fund	85,115,000
	Total	85,115,000
Commission on Human Rights		
	General Fund	1,978,200
	Restricted Funds	24,000
	Federal Funds	170,800
	Total	2,173,000
Commission on Women		
	General Fund	269,900
	Total	269,900
Commission on Small Business Advocacy		
	General Fund	75,000
	Restricted Funds	45,000
	Total	120,000

Kentucky Retirement Systems		
	Restricted Funds	14,980,500
	Total	14,980,500
Registry of Election Finance		
	General Fund	8,475,200
	Restricted Funds	202,800
	Total	8,678,000
Occupation and Professional Boards and Commissions		
Board of Accountancy		
	Restricted Funds	752,700
	Total	752,700
Board of Alcohol and Drug Counselors		
	Restricted Funds	62,000
	Total	62,000
Board of Architects		
	Restricted Funds	272,000
	Total	272,000
Board of Art Therapists		
	Restricted Funds	11,300
	Total	11,300
Kentucky Athletic Commission		
	Restricted Funds	158,500
	Total	158,500
Board of Auctioneers		
	Restricted Funds	360,200
	Total	360,200
Board of Barbering		
	Restricted Funds	225,600
	Total	225,600
Board of Chiropractic Examiners		
	Restricted Funds	182,800
	Total	182,800
Board of Dentistry		
	Restricted Funds	474,400
	Total	474,400

Budget Units		FY 2002-2003
Board of Dietitians and Nutritionists		
	Restricted Funds	67,900
	Total	67,900
Board of Embalmers and Funeral Home Directors		
	Restricted Funds	240,400
	Total	240,400
Board of Engineers and Land Surveyors		
	Restricted Funds	1,291,800
	Total	1,291,800
Board of Fee-Based Pastoral Counselors		
	Restricted Funds	6,000
	Total	6,000
Board of Geologists		
	Restricted Funds	133,000
	Total	133,000
Board of Hairdressers and Cosmetologists		
	Restricted Funds	998,900
	Total	998,900
Board of Hearing Instrument Specialists		
	Restricted Funds	50,700
	Total	50,700
Board of Interpreters for Deaf and Hard of Hearing		
	Restricted Funds	25,000
	Total	25,000
Board of Landscape Architects		
	Restricted Funds	55,300
	Total	55,300
Board for Marriage and Family Therapists		
	Restricted Funds	79,200
	Total	79,200
Board of Medical Licensure		
	Restricted Funds	1,992,500
	Total	1,992,500
Board of Nursing		
	Restricted Funds	4,230,500
	Total	4,230,500
Nursing Home Administrators Licensure Board		
	Restricted Funds	69,000
	Total	69,000

Budget Units		FY 2002-2003
Board of Occupational Therapy		
	Restricted Funds	76,600
	Total	76,600
Board of Ophthalmic Dispensers		
	Restricted Funds	57,600
	Total	57,600
Board of Optometric Examiners		
	Restricted Funds	152,400
	Total	152,400
Board of Pharmacy		
	Restricted Funds	835,000
	Total	835,000
Board of Physical Therapy		
	Restricted Funds	263,400
	Total	263,400
Board of Podiatry		
	Restricted Funds	14,500
	Total	14,500
Board of Professional Counselors		
	Restricted Funds	49,700
	Total	49,700
Board of Proprietary Education		
	Restricted Funds	123,000
	Total	123,000
Board of Psychology		
	Restricted Funds	169,600
	Total	169,600
Real Estate Appraisers Board		
	Restricted Funds	614,900
	Total	614,900
Real Estate Commission		
	Restricted Funds	2,003,100
	Total	2,003,100
Board of Respiratory Care		
	Restricted Funds	182,700
	Total	182,700
Board of Social Workers		
	Restricted Funds	141,300
	Total	141,300

Budget Units		FY 2002-2003
Board of Speech Pathologists and Audiologists		
	Restricted Funds	83,000
	Total	83,000
Board of Veterinary Examiners		
	Restricted Funds	228,300
	Total	228,300
Total Occupation and Professional Boards and Commissions		
	Restricted Funds	16,734,800
	Total	16,734,800
Education Professional Standards Board		
	General Fund	12,433,800
	Restricted Funds	1,378,500
	Federal Funds	122,200
	Total	13,934,500
Board of Emergency Medical Services		
	General Fund	2,571,200
	Restricted Funds	168,300
	Federal Funds	296,800
	Total	3,036,300
Governmental Services Center		
	Restricted Funds	1,462,000
	Total	1,462,000
Executive Branch Ethics Commission		
	General Fund	335,900
	Restricted Funds	300
	Total	336,200
Miscellaneous Appropriations		
Attorney General Expense		
	General Fund	225,000
	Total	225,000
Board of Claims Awards		
	General Fund	600,000
	Total	600,000



Budget Units	FY 2002-2003
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Guardian Ad Litem		
	General Fund	3,200,000
	Total	3,200,000
Prior Year Claims		
	General Fund	400,000
	Total	400,000
Unredeemed Chcks Refunded		
	General Fund	1,000,000
	Total	1,000,000
Involuntary Commitments ICF/MR		
	General Fund	60,000
	Total	60,000
Frankfort In Lieu of Taxes		
	General Fund	195,000
	Total	195,000
Frankfort Cemetery		
	General Fund	2,500
	Total	2,500
Police Officers and Firefighters--Life Insurance		
	General Fund	250,000
	Total	250,000
Master Commissioners--Employees Retirement		
	General Fund	200,000
	Total	200,000
Master Commissioner--Social Security		
	General Fund	313,000
	Total	313,000
Workers' Compensation		
	General Fund	502,000
	Total	502,000
Medical Malpractice Liability Insurance Reimbursements		
	General Fund	60,000
	Total	60,000
Blanket Employee Bonds		
	General Fund	100,000
	Total	100,000
Total Miscellaneous Appropriations		
	General Fund	7,107,500
	Total	7,107,500

Budget Units		FY 2002-2003
Kentucky River Authority		
	General Fund	379,000
	Restricted Funds	3,266,000
	Total	3,645,000
Total - Government Operations		
	General Fund	262,090,500
	General Fund (Tobacco)	52,451,200
	Restricted Funds	159,666,300
	Federal Funds	128,404,600
	Road Fund	125,000
	Total	602,737,600
Cabinet For Economic Development		
Office of the Secretary		
	General Fund	1,392,700
	Restricted Funds	4,575,200
	Total	5,967,900
Administration and Program Support		
	General Fund	2,179,900
	Restricted Funds	29,800
	Total	2,209,700
Business Development		
	General Fund	2,517,900
	Restricted Funds	248,800
	Total	2,766,700
Financial Incentives		
	General Fund	3,343,800
	Restricted Funds	2,182,700
	Total	5,526,500
Community Development		
	General Fund	2,855,900
	Restricted Funds	440,100
	Federal Funds	157,100
	Total	3,453,100
Total - Cabinet For Economic Development		
	General Fund	12,290,200
	Restricted Funds	7,476,600
	Federal Funds	157,100
	Total	19,923,900

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**Budget Units**

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**FY 2002-2003****Education****Support Education Excellance in Kentucky (SEEK) Program**

General Fund	2,280,882,700
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Total	2,280,882,700
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**Executive Policy and Management**

General Fund	1,215,400
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Total	1,215,400
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**Operation and Support Services**

General Fund	11,542,700
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Restricted Funds	2,187,900
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Federal Funds	562,500
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Total	14,293,100
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**Learning and Results Services**

General Fund	570,081,000
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Restricted Funds	5,850,700
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Federal Funds	491,060,800
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Total	1,066,992,500
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**Total - Education**

General Fund	2,863,721,800
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Restricted Funds	8,038,600
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Federal Funds	491,623,300
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Total	3,363,383,700
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**Education, Arts and Humanities Cabinet****Office Of The Secretary**

General Fund	3,440,800
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Restricted Funds	436,400
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Total	3,877,200
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**Kentucky Arts Council**

General Fund	4,644,600
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Restricted Funds	713,800
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Federal Funds	624,800
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Total	5,983,200
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Budget Units	FY 2002-2003
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Teachers Retirement System

General Fund	90,113,200
Restricted Funds	7,330,100
Total	97,443,300

School Facilities Construction Commission

General Fund	77,121,400
Total	77,121,400

Deaf and Hard of Hearing

General Fund	909,100
Restricted Funds	200,000
Total	1,109,100

Kentucky Heritage Council

General Fund	945,700
Restricted Funds	234,600
Federal Funds	766,100
Total	1,946,400

Kentucky Educational Television

General Fund	14,936,400
Restricted Funds	1,106,400
Federal Funds	700,000
Total	16,742,800

Kentucky Historical Society

General Fund	6,145,000
Restricted Funds	572,200
Federal Funds	95,900
Total	6,813,100

Libraries and Archives

Budget Units		FY 2002-2003
General Operations		
	General Fund	7,451,100
	Restricted Funds	1,667,200
	Federal Funds	1,807,600
	Total	10,925,900
Direct Local Aid		
	General Fund	5,966,700
	Restricted Funds	9,000
	Federal Funds	424,000
	Total	6,399,700
Total Libraries and Archives		
	General Fund	13,417,800
	Restricted Funds	1,676,200
	Federal Funds	2,231,600
	Total	17,325,600
Kentucky Center for the Arts		
	General Fund	619,800
	Total	619,800
Environmental Education Council		
	Restricted Funds	150,000
	Total	150,000
Total - Education, Arts and Humanities Cabinet		
	General Fund	212,293,800
	Restricted Funds	12,419,700
	Federal Funds	4,418,400
	Total	229,131,900
Cabinet for Families and Children		
Community Based Services		
	General Fund	280,666,700
	General Fund (Tobacco)	7,262,800
	Restricted Funds	101,883,400
	Federal Funds	468,549,000
	Total	858,361,900
Administration Services		
	General Fund	27,660,400
	Restricted Funds	4,390,100
	Federal Funds	37,077,300
	Total	69,127,800

Budget Units		FY 2002-2003
Disability Determination Services		
	Restricted Funds	62,700
	Federal Funds	40,129,800
	Total	40,192,500
Total - Cabinet for Families and Children		
	General Fund	308,327,100
	General Fund (Tobacco)	7,262,800
	Restricted Funds	106,336,200
	Federal Funds	545,756,100
	Total	967,682,200
Finance and Administration Cabinet		
General Administration		
	General Fund	5,988,000
	Restricted Funds	2,737,000
	Total	8,725,000
Office of the Controller		
	General Fund	6,098,000
	Restricted Funds	396,000
	Federal Funds	4,000,000
	Total	10,494,000
Debt Service		
	General Fund	249,038,000
	General Fund (Tobacco)	6,112,000
	Road Fund	3,668,000
	Total	258,818,000
Administration		
	General Fund	3,637,000
	Restricted Funds	9,081,000
	Road Fund	283,000
	Total	13,001,000
Facilities Management		
	General Fund	8,086,000
	Restricted Funds	25,116,000
	Total	33,202,000
County Costs		
	General Fund	23,078,000
	Restricted Funds	1,425,000
	Total	24,503,000

Budget Units		FY 2002-2003
County Fees		
	Restricted Funds	77,645,600
	Total	77,645,600
Total - Finance and Administration Cabinet		
	General Fund	295,925,000
	General Fund (Tobacco)	6,112,000
	Restricted Funds	116,400,600
	Federal Funds	4,000,000
	Road Fund	3,951,000
	Total	426,388,600
Cabinet for Health Services		
Medicaid Services		
Administration		
	General Fund	17,848,000
	Restricted Funds	20,624,400
	Federal Funds	44,009,800
	Total	82,482,200
Benefits		
	General Fund	752,373,700
	Restricted Funds	200,011,300
	Federal Funds	2,245,464,700
	Total	3,197,849,700
Total Medicaid Services		
	General Fund	770,221,700
	Restricted Funds	220,635,700
	Federal Funds	2,289,474,500
	Total	3,280,331,900
Public Health		
	General Fund	56,201,300
	General Fund (Tobacco)	21,738,800
	Restricted Funds	65,849,000
	Federal Funds	127,620,500
	Total	271,409,600
Mental Health/Mental Retardation		
	General Fund	168,530,000
	General Fund (Tobacco)	1,000,000
	Restricted Funds	190,690,900
	Federal Funds	41,295,100
	Total	401,516,000

Budget Units		FY 2002-2003
Children With Special Health Care Needs		
	General Fund	16,709,500
	General Fund (Tobacco)	1,600,000
	Restricted Funds	22,089,000
	Federal Funds	10,053,700
	Total	50,452,200
Certificate of Need		
	General Fund	131,500
	Restricted Funds	234,200
	Total	365,700
Aging Services		
	General Fund	26,421,800
	Restricted Funds	760,400
	Federal Funds	18,885,300
	Total	46,067,500
Administrative Support		
	General Fund	9,358,000
	Restricted Funds	8,154,000
	Federal Funds	12,729,200
	Total	30,241,200
Total - Cabinet for Health Services		
	General Fund	1,047,573,800
	General Fund (Tobacco)	24,338,800
	Restricted Funds	508,413,200
	Federal Funds	2,500,058,300
	Total	4,080,384,100
Justice Cabinet		
Justice Operations		
Justice Administration		
	General Fund	8,231,000
	Restricted Funds	1,908,100
	Federal Funds	13,433,500
	Total	23,572,600
State Police		
	General Fund	85,574,900
	Restricted Funds	7,670,800
	Federal Funds	9,772,600
	Road Fund	30,000,000
	Total	133,018,300



Budget Units		FY 2002-2003
Criminal Justice Training		
	Restricted Funds	39,077,100
	Federal Funds	2,700,000
	Total	41,777,100
Juvenile Justice		
	General Fund	83,790,100
	Restricted Funds	14,015,000
	Federal Funds	17,300,000
	Total	115,105,100
Total Justice Operations		
	General Fund	177,596,000
	Restricted Funds	62,671,000
	Federal Funds	43,206,100
	Road Fund	30,000,000
	Total	313,473,100
Corrections		
Corrections Management		
	General Fund	15,222,900
	Restricted Funds	15,799,700
	Federal Funds	799,400
	Total	31,822,000
Community Services and Local Facilities		
	General Fund	65,969,000
	Restricted Funds	15,623,400
	Total	81,592,400
Adult Correctional Institutions		
	General Fund	188,590,800
	Restricted Funds	6,526,100
	Federal Funds	215,200
	Total	195,332,100
Local Jail Support		
	General Fund	15,276,100
	Total	15,276,100
Total Corrections		
	General Fund	285,058,800
	Restricted Funds	37,949,200
	Federal Funds	1,014,600
	Total	324,022,600

Budget Units		FY 2002-2003
Total - Justice Cabinet		
	General Fund	462,654,800
	Restricted Funds	100,620,200
	Federal Funds	44,220,700
	Road Fund	30,000,000
	Total	637,495,700
Labor		
Labor Cabinet		
General Administration and Support		
	General Fund	414,900
	Restricted Funds	5,652,600
	Total	6,067,500
Workplace Standards		
	General Fund	2,085,400
	Restricted Funds	124,275,500
	Federal Funds	3,280,500
	Total	129,641,400
Workers Claims		
	Restricted Funds	16,397,700
	Total	16,397,700
Kentucky Occupational Safety and Health Review Commission		
	Restricted Funds	476,800
	Total	476,800
Total Labor Cabinet		
	General Fund	2,500,300
	Restricted Funds	146,802,600
	Federal Funds	3,280,500
	Total	152,583,400
Workers Compensation Funding Commission		
	Restricted Funds	151,812,000
	Total	151,812,000
Total - Labor		
	General Fund	2,500,300
	Restricted Funds	298,614,600
	Federal Funds	3,280,500
	Total	304,395,400

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**Budget Units**

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**FY 2002-2003****Natural Resources and Environmental Protection****Natural Resources and Environmental Protection Cabinet****General Administration and Support**

General Fund	9,698,100
Restricted Funds	331,900
Federal Funds	1,585,200
Total	11,615,200

**Environmental Protection**

General Fund	23,497,000
Restricted Funds	27,442,300
Federal Funds	19,357,000
Total	70,296,300

**Natural Resources**

General Fund	13,275,600
General Fund (Tobacco)	9,000,000
Restricted Funds	3,398,100
Federal Funds	5,397,700
Total	31,071,400

**Surface Mining Reclamation and Enforcement**

General Fund	10,319,700
Restricted Funds	6,157,800
Federal Funds	17,243,300
Total	33,720,800

**Abandoned Mine Land Reclamation Projects**

Federal Funds	22,000,000
Total	22,000,000

**Total Natural Resources and Environmental Protection Cabinet**

General Fund	56,790,400
General Fund (Tobacco)	9,000,000
Restricted Funds	37,330,100
Federal Funds	65,583,200
Total	168,703,700

**Environmental Quality Commission**

General Fund	260,500
Restricted Funds	2,000
Total	262,500

Budget Units	FY 2002-2003
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Ky Nature Preserves Commission

General Fund	980,900
Restricted Funds	314,700
Federal Funds	25,000
Total	1,320,600

Total - Natural Resources and Environmental Protection

General Fund	58,031,800
General Fund (Tobacco)	9,000,000
Restricted Funds	37,646,800
Federal Funds	65,608,200
Total	170,286,800

Personnel Cabinet

General Operations

General Fund	3,345,100
Restricted Funds	13,222,000
Total	16,567,100

Public Employees Deferred Compensation Authority

Restricted Funds	5,183,300
Total	5,183,300

Workers' Compensation Benefits and Reserve

Restricted Funds	17,269,200
Total	17,269,200

Total - Personnel Cabinet

General Fund	3,345,100
Restricted Funds	35,674,500
Total	39,019,600

Postsecondary Education

Council on Postsecondary Education

General Fund	101,554,300
General Fund (Tobacco)	6,280,000
Restricted Funds	7,451,300
Federal Funds	3,161,200
Total	118,446,800

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**Budget Units**

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**FY 2002-2003****Kentucky Higher Education Assistance Authority**

General Fund	45,860,000
General Fund (Tobacco)	750,000
Restricted Funds	83,302,500
Federal Funds	817,800
Total	130,730,300

**Eastern Kentucky University**

General Fund	73,451,800
Restricted Funds	83,158,600
Federal Funds	44,454,400
Total	201,064,800

**Kentucky State University**

General Fund	23,162,700
Restricted Funds	16,446,900
Federal Funds	11,500,400
Total	51,110,000

**Morehead State University**

General Fund	42,747,400
Restricted Funds	46,293,500
Federal Funds	46,570,500
Total	135,611,400

**Murray State University**

General Fund	51,669,400
Restricted Funds	68,752,700
Federal Funds	10,646,700
Total	131,068,800

**Northern Kentucky University**

General Fund	45,989,000
Restricted Funds	66,180,400
Federal Funds	7,422,000
Total	119,591,400

Budget Units		FY 2002-2003
University of Kentucky		
	General Fund	313,431,100
	Restricted Funds	858,999,900
	Federal Funds	126,193,600
	Total	1,298,624,600
University of Louisville		
	General Fund	176,745,200
	Restricted Funds	293,702,300
	Federal Funds	49,334,100
	Total	519,781,600
Western Kentucky University		
	General Fund	70,427,100
	Restricted Funds	81,837,400
	Federal Funds	30,444,000
	Total	182,708,500
Kentucky Community and Technical College System		
	General Fund	189,722,700
	Restricted Funds	177,568,900
	Federal Funds	68,053,500
	Total	435,345,100
Total - Postsecondary Education		
	General Fund	1,134,760,700
	General Fund (Tobacco)	7,030,000
	Restricted Funds	1,783,694,400
	Federal Funds	398,598,200
	Total	3,324,083,300
Public Protection and Regulation Cabinet		
Insurance		
	General Fund (Tobacco)	19,405,200
	Restricted Funds	22,851,900
	Total	42,257,100

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**Budget Units**

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**FY 2002-2003****Board of Claims/Crime Victims' Compensation**

General Fund	635,000
Restricted Funds	2,539,000
Federal Funds	546,900
Total	3,720,900

**Alcoholic Beverage Control**

General Fund	250,000
Restricted Funds	5,787,600
Total	6,037,600

**Financial Institutions**

Restricted Funds	8,993,100
Total	8,993,100

**Kentucky Racing Commission**

General Fund	522,800
Restricted Funds	13,702,600
Total	14,225,400

**Housing Buildings and Construction**

General Fund	1,764,100
Restricted Funds	12,826,500
Total	14,590,600

**Mines and Minerals**

General Fund	9,614,900
Restricted Funds	1,961,100
Federal Funds	598,500
Total	12,174,500

**Public Advocacy**

General Fund	23,925,300
Restricted Funds	2,980,900
Federal Funds	1,313,100
Total	28,219,300

Public Service Commission		
	General Fund	11,527,900
	Restricted Funds	24,000
	Federal Funds	259,800
	Total	11,811,700
Office of the Secretary		
General Operations		
	General Fund	268,200
	Restricted Funds	2,036,900
	Total	2,305,100
Petroleum Storage Tank Environmental Assurance Fund		
	Restricted Funds	32,103,700
	Total	32,103,700
Total Office of the Secretary		
	General Fund	268,200
	Restricted Funds	34,140,600
	Total	34,408,800
Board of Tax Appeals		
	General Fund	478,100
	Total	478,100
Charitable Gaming		
	Restricted Funds	3,460,800
	Total	3,460,800
Total - Public Protection and Regulation Cabinet		
	General Fund	48,986,300
	General Fund (Tobacco)	19,405,200
	Restricted Funds	109,268,100
	Federal Funds	2,718,300
	Total	180,377,900



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**Budget Units**

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**FY 2002-2003**

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**Revenue Cabinet****Revenue Cabinet**

General Fund	67,852,000
Restricted Funds	4,519,000
Road Fund	1,418,000
Total	73,789,000

**Property Valuation Administrators**

General Fund	27,431,800
Restricted Funds	3,894,100
Total	31,325,900

**Total - Revenue Cabinet**

General Fund	95,283,800
Restricted Funds	8,413,100
Road Fund	1,418,000
Total	105,114,900

**Tourism Development Cabinet****Office of the Secretary**

General Fund	4,259,000
Restricted Funds	119,000
Total	4,378,000

**Breaks Interstate Park**

General Fund	200,000
Total	200,000

**Travel Development**

General Fund	7,041,000
Total	7,041,000

**Parks**

General Fund	29,446,000
Restricted Funds	50,898,000
Total	80,344,000

**Kentucky Horse Park**

General Fund	1,750,000
Restricted Funds	5,200,000
Total	6,950,000

**Kentucky State Fair Board**

General Fund	407,000
Restricted Funds	30,163,000
Total	30,570,000

Budget Units		FY 2002-2003
Fish and Wildlife Resources		
	Restricted Funds	27,381,000
	Federal Funds	7,850,000
	Total	35,231,000
Total - Tourism Development Cabinet		
	General Fund	43,103,000
	Restricted Funds	113,761,000
	Federal Funds	7,850,000
	Total	164,714,000
Transportation Cabinet		
Air Transportation		
	Restricted Funds	4,817,200
	Federal Funds	13,800
	Total	4,831,000
Revenue Sharing		
	Road Fund	217,962,400
	Total	217,962,400
Public Transportation		
	General Fund	5,520,300
	Restricted Funds	2,506,100
	Federal Funds	28,864,900
	Total	36,891,300
Highways		
	Restricted Funds	61,627,300
	Federal Funds	495,939,000
	Road Fund	570,470,500
	Total	1,128,036,800
Vehicle Regulation		
	Restricted Funds	7,001,700
	Federal Funds	2,786,600
	Road Fund	30,189,400
	Total	39,977,700
Debt Service		
	Road Fund	167,660,900
	Total	167,660,900
General Administration and Support		
	Restricted Funds	29,050,000
	Road Fund	69,922,100
	Total	98,972,100

Budget Units		FY 2002-2003
Total - Transportation Cabinet		
	General Fund	5,520,300
	Restricted Funds	105,002,300
	Federal Funds	527,604,300
	Road Fund	1,056,205,300
	Total	1,694,332,200
Workforce Development Cabinet		
General Administration and Program Support		
	General Fund	1,145,900
	Restricted Funds	6,661,200
	Federal Funds	190,300
	Total	7,997,400
Technical Education		
	General Fund	23,346,500
	Restricted Funds	20,637,400
	Federal Funds	13,037,200
	Total	57,021,100
Adult Education and Literacy		
	General Fund	11,096,100
	Restricted Funds	11,104,300
	Federal Funds	12,624,500
	Total	34,824,900
Vocational Rehabilitation		
	General Fund	11,045,200
	Restricted Funds	2,911,100
	Federal Funds	43,328,800
	Total	57,285,100
Department for the Blind		
	General Fund	1,282,800
	Restricted Funds	1,948,800
	Federal Funds	7,484,600
	Total	10,716,200
Teacher Retirement-Employer's Contribution		
	General Fund	4,627,700
	Total	4,627,700
Training and Reemployment		
	Federal Funds	48,530,400
	Total	48,530,400

Budget Units		FY 2002-2003
Employment Services		
	General Fund	584,200
	Restricted Funds	6,051,700
	Federal Funds	512,325,500
	Total	518,961,400
Total - Workforce Development Cabinet		
	General Fund	53,128,400
	Restricted Funds	49,314,500
	Federal Funds	637,521,300
	Total	739,964,200
Fiscal Year 2002-2003 Operating Budget		
	General Fund	6,909,536,700
	General Fund (Tobacco)	125,600,000
	Restricted Funds	3,560,760,700
	Federal Funds	5,361,819,300
	Road Fund	1,091,699,300
	Grand Total - Operating	17,049,416,000
Fiscal Year 2002-2003 Capital Projects Budget		
	General Fund	100,000
	Restricted Funds	706,551,216
	Federal Funds	79,719,000
	Road Fund	5,840,000
	Capital Construction Surplus	2,540,000
	Investment Income	22,194,000
	Deferred Maintenance	957,000
	Other Funds	105,918,000
	Emergency Repair, Replacement and Maintenance	1,000,000
	Capital Construction Contingency	800,000
	Grand Total - Capital Projects	925,619,216

Grand Total Fiscal Year 2002-2003 Budget

Total Funds Available	FY 2002-2003
General Fund	6,909,636,700
General Fund (Tobacco)	125,600,000
Restricted Funds	4,267,311,916
Federal Funds	5,441,538,300
Road Fund	1,097,539,300
Capital Construction Surplus	2,540,000
Investment Income	22,194,000
Deferred Maintenance	957,000
Other Funds	105,918,000
Emergency Repair, Replacement and Maintenance	1,000,000
Capital Construction Contingency	800,000
Grand Total	17,975,035,216



## **ATTACHMENT B**

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# **COMPARISON OF HOUSE BILL 1 AND HOUSE BILL 1 SENATE COMMITTEE SUBSTITUTE**

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**FY 2002-2003 General Fund Summary  
Governor's Spending Plan**

	<b>HB 1 FY 2002-2003</b>	<b>HB 1 Senate Comm. Substitute FY 2002-2003</b>	<b>Difference FY 2002-2003</b>
<b>RESOURCES</b>			
Beginning Balance	37,890,000	37,890,000	0
Consensus Revenue Forecast	6,937,900,000	6,937,900,000	0
Revenue Measures	37,550,000	37,550,000	0
Tobacco Settlement - Phase I	125,600,000	125,600,000	0
Other Resources/Credits	19,102,000	19,102,000	0
Fund Transfers	193,087,000	193,087,000	0
<b>Total Revenue</b>	<b>7,351,129,000</b>	<b>7,351,129,000</b>	<b>0</b>
<b>APPROPRIATIONS</b>			
<b>Executive Branch:</b>			
Regular Operating	6,909,536,700	6,902,616,700	(6,920,000)
Tobacco Settlement - Phase I	125,600,000	125,600,000	0
Other	100,000	100,000	0
<b>Subtotal</b>	<b>7,035,236,700</b>	<b>7,028,316,700</b>	<b>(6,920,000)</b>
<b>Judicial Branch:</b>			
Regular Operating	200,368,100	200,368,100	0
<b>Subtotal</b>	<b>200,368,100</b>	<b>200,368,100</b>	<b>0</b>
<b>Legislative Branch:</b>			
Regular Operating	36,450,400	36,450,400	0
<b>Subtotal</b>	<b>36,450,400</b>	<b>36,450,400</b>	<b>0</b>
<b>TOTAL APPROPRIATIONS</b>	<b>7,272,055,200</b>	<b>7,265,135,200</b>	<b>(6,920,000)</b>
<b>ENDING BALANCE</b>	<b>79,523,800</b>	<b>86,443,800</b>	<b>6,920,000</b>

FY 2002-2003 General Fund  
HB 1 vs. HB 1 SCS

	<u>HB 1 &amp; HB 1 Senate Comm. Substitute</u>
<b>GOVERNMENT OPERATIONS</b>	
Auditor of Public Accounts	(25,000)
Local Government	1,500,000
Local Government Economic Assistance Fund	(527,200)
Area Development Fund	527,200
Registry of Election Finance	(7,000,000)
Executive Branch Ethics Commission	25,000
Education Professional Standards Board	(2,000,000)
<b>Total</b>	<u>(7,500,000)</u>
<b>EDUCATION</b>	
Learning and Results Services	885,000
<b>EDUCATION, ARTS AND HUMANITIES</b>	
Secretary	(200,000)
<b>JUSTICE</b>	
Juvenile Justice	(1,105,000)
<b>POSTSECONDARY EDUCATION</b>	
Council on Postsecondary Education	1,200,000
<b>TOURISM DEVELOPMENT</b>	
Kentucky Horse Park	(200,000)
<b>Grand Total - EXECUTIVE BRANCH</b>	<u>(6,920,000)</u>
Legislative Branch	0
Judicial Branch	0
<b>Grand Total - STATE GOVERNMENT</b>	<u>(6,920,000)</u>





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## **ATTACHMENT C**

**BOND PROJECTS PROVIDED FOR IN  
HOUSE BILL 1 - NOT CONTAINED IN  
GOVERNOR PATTON'S FISCAL YEAR  
2003 SPENDING PLAN**

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**Bond Projects**  
**HB 1 - 2002 Special Session**

**Bond Funded  
 Capital Projects  
 FY 2002-2003**

<b>Agency</b>	<b>Capital Project</b>	
<b>General Fund Supported Bonds:</b>		
Council on Postsecondary Education	Research Challenge Trust Fund-Endowment Match	100,000,000
Council on Postsecondary Education	Regional University Excellence Trust Fund-Endowment Match	20,000,000
School Facilities Construction Commission	Officers of Assistance	104,600,000
Kentucky Infrastructure Authority	Kentucky Pride Fund Projects	25,000,000
Kentucky Infrastructure Authority	Fund A-Federally Assisted Wastewater Program	6,200,000
Kentucky Infrastructure Authority	Fund F-Drinking Water Revolving Loan Program	5,000,000
Local Government	Renaissance Kentucky	6,000,000
Local Government	Flood Control Matching Fund	3,000,000
Agriculture	Animal Shelters	1,600,000
Economic Development	Kentucky Economic Development Finance Authority Bond Pool	20,000,000
Education	Ky School for Deaf-Replace Kerr Hall HVAC	1,067,000
Education	Ky School for the Blind-Security, Fire Alarm & Energy System	450,000
Corrections	Blackburn Correctional Complex-Replace Underground Steam & Condensate Lines	1,260,000
Corrections	Northpoint Training Center-Replace Dorm Roofs	600,000
Corrections	Luther Luckett Correctional Complex-Replace Fire Alarm System	1,000,000
Corrections	Green River Correctional Complex-Replace Fire Alarm System	2,500,000
Mental Health/Mental Retardation	Oakwood-Structural Repair/Renovation	2,009,000
Mental Health/Mental Retardation	Western St. Hospital-Sprinkler System	2,200,000
Mental Health/Mental Retardation	Miscellaneous Chiller Pool	612,000
Public Health	Miscellaneous Roof Pool	700,000
Environmental Protection	Ky All Schedule Prescription Reporting System	1,474,000
Kentucky State Fair Board	State-Owned Dam Repair	1,000,000
Kentucky State Fair Board	Purchase DOT Building	500,000
Vocational Rehabilitation	Replace Roofs	2,800,000
	Perkins Rehabilitation Center-Construct New Sewage Treatment Plant	265,000
<b>Total-General Fund Supported Bonds</b>		<b>309,837,000</b>
<b>Agency Fund Supported Bonds:</b>		
Council on Postsecondary Education	Agency Bond Pool	31,300,000
Eastern Kentucky University	High Voltage Electrical Distribution System	10,500,000
<b>Total-Agency Fund Supported Bonds</b>		<b>41,800,000</b>
<b>Total-Bond Funded Capital Projects</b>		<b>351,637,000</b>



## **ATTACHMENT D**

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# **GENERAL FUND AND ROAD FUND BALANCE SHEETS**

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**FY 2002-2003 General Fund Summary  
Governor's Spending Plan**

	<b>Governor's Spending Plan FY 2002-2003</b>
<b>RESOURCES</b>	
Beginning Balance	0 *
Consensus Revenue Forecast	6,937,900,000
Revenue Measures	30,600,000
Tobacco Settlement - Phase I	125,600,000
Other Resources/Credits	19,102,000
Fund Transfers	193,087,000
<b>Total Revenue</b>	<b>7,306,289,000</b>
<b>APPROPRIATIONS</b>	
<b>Executive Branch:</b>	
Regular Operating	6,909,536,700
Tobacco Settlement - Phase I	125,600,000
Other	100,000
<b>Subtotal</b>	<b>7,035,236,700</b>
<b>Judicial Branch:</b>	
Regular Operating	200,368,100
<b>Subtotal</b>	<b>200,368,100</b>
<b>Legislative Branch:</b>	
Regular Operating	36,450,400
<b>Subtotal</b>	<b>36,450,400</b>
<b>TOTAL APPROPRIATIONS</b>	<b>7,272,055,200</b>
<b>ENDING BALANCE</b>	<b>34,683,800</b>

\* Assumes no carry forward from Fiscal Year 2001-2002

**FY 2002-2003 Road Fund Summary**  
**Governor's Spending Plan**

**Governor's  
Spending Plan  
FY 2002 - 2003**

**RESOURCES**

Beginning Balance	0
Official Revenue Estimate	1,097,539,300
Non-Revenue Receipts	0
Fund Transfers	0
<b>TOTAL RESOURCES</b>	<b>1,097,539,300</b>

**APPROPRIATIONS**

Transportation Cabinet	
Revenue Sharing	217,962,400
Highways	570,470,500
Vehicle Regulation	30,189,400
Debt Service	167,660,900
General Administration and Support	69,922,100
Capital Construction	5,840,000
Subtotal	<u>1,062,045,300</u>
Kentucky State Police	30,000,000
Revenue Cabinet	1,418,000
Governor's Office of Technology	125,000
Finance and Administration Cabinet	3,951,000
<b>TOTAL APPROPRIATIONS</b>	<b>1,097,539,300</b>
<b>ENDING BALANCE</b>	<b>0</b>



## **ATTACHMENT E**

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### **CORRESPONDENCE FROM GOVERNOR PATTON**

- **June 6, 2002 letter to School Superintendents**
  - **June 17, 2002 letter to Constitutional Officers, Cabinet Secretaries and Agency Heads**
  - **June 19, 2002 letter to Legislators**
-





COMMONWEALTH OF KENTUCKY  
OFFICE OF THE GOVERNOR

PAUL E. PATTON  
GOVERNOR

700 CAPITOL AVENUE  
SUITE 100  
FRANKFORT, KY 40601  
(502) 564-2611  
FAX: (502) 564-2517

June 6, 2002

Dear School Superintendents:

As you know, we are facing an unprecedented fiscal situation as a result of an impasse in the General Assembly that resulted in both the regular session and a special session adjourning without passage of the biennial budget.

I have communicated with the Republican Senate leadership that I will be willing to participate in any meaningful dialogue on the subject of the disagreement if there is a good faith effort to compromise in a way that does not effectively repeal the current law governing the election of governors in Kentucky. However, recent comments by the Senate leadership do not indicate any willingness for such a compromise.

Absent an agreement, I plan to implement a spending plan for FY 03 by executive order. This plan will be, so far as the law will allow, essentially the same as the budget proposal I prepared for the special session. With few exceptions, that proposal passed both the House and the Senate.

For your planning purposes, the spending plan will increase basic SEEK by 2.7%, which under KRS 157.420(2)(a) will result in a minimum of a 2.7% salary increase for teachers and other certified personnel. While in the absence of a legislatively enacted appropriations act we cannot mandate an increase for classified personnel, I hope you will pass along this increase to those employees as well, since the spending plan I intend to propose will include funding for those employees.

At this time we are expecting an additional revenue shortfall for the current fiscal year that we will accommodate through our normal budget reduction plan as set forth in statute, without affecting education. We have not been able to determine the effect of this shortfall on the next biennial budget. After the first quarter of the new fiscal year we will know more about exactly how the revenues are shaping up for FY 03 and should any adjustments to the FY 03 budget be necessary, we will communicate that information through the Department of Education.



AN EQUAL OPPORTUNITY EMPLOYER M/F/D



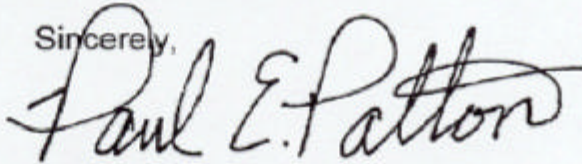
SCHOOL SUPERINTENDENTS

June 6, 2002

Page 2

I regret the current situation which requires my taking the unprecedented executive action of adopting a spending plan, but I must proceed in fulfilling my obligations. I will not permit a shut down of state government depriving the children of Kentucky of education services and many other Kentuckians the essential state services they are paying for with their tax dollars. I ask for your cooperation as we work through the difficult issues ahead.

Sincerely,

A handwritten signature in cursive script that reads "Paul E. Patton". The signature is written in dark ink and is positioned above the printed name.

Paul E. Patton





COMMONWEALTH OF KENTUCKY  
OFFICE OF THE GOVERNOR

PAUL E. PATTON  
GOVERNOR

700 CAPITOL AVENUE  
SUITE 100  
FRANKFORT, KY 40601  
(502) 564-2611  
FAX: (502) 564-2517

MEMORANDUM

TO: Constitutional Officers  
Cabinet Secretaries  
Agency Heads

FROM: Governor Paul E. Patton *PP*

DATE: June 17, 2002

As you know, we are facing an unprecedented fiscal situation as a result of an impasse in the General Assembly that resulted in both the regular session and a special session adjourning without passage of the biennial budget.

Absent an agreement between the two chambers, I plan to implement a spending plan for FY 03 by executive order. This plan will be, so far as the law will allow, essentially the same as the budget proposal I prepared for the special session. With few exceptions, that proposal passed both the House and the Senate.

You and your budget staff will receive more detailed information as we finalize the documents, but for your planning purposes, the spending plan WILL accommodate a 2.7% salary increase for state employees. The spending plan will NOT direct any layoffs of state employees. It is important that you communicate this information to your employees to alleviate any concerns about the impact on individual employees or on our ability to deliver important services to the citizens of Kentucky.

In a related budget matter, on Tuesday, June 11, 2002, the Government Contract Review Committee in its regular monthly meeting deferred 280 FY 2003 contracts because of the budget impasse. Important government services, such as medical, legal, and other professional services that are essential to continue, are performed through personal services contracts and memoranda of agreements. Under existing statutes, these services may be provided under these deferred contracts until expressly disapproved by the Government Contract Review Committee. Therefore, your agency should move forward with the services contracted for in each of these deferred contracts on July 1, 2002, treating each as a valid contract.

I regret the current situation, but I must proceed in fulfilling my obligations. I will not permit a shutdown of state government, depriving the children of Kentucky of education services and many other Kentuckians the essential state services they are paying for with their tax dollars. We ask for your cooperation as we work through the difficult issues ahead.



AN EQUAL OPPORTUNITY EMPLOYER M/F/D





COMMONWEALTH OF KENTUCKY  
OFFICE OF THE GOVERNOR

PAUL E. PATTON  
GOVERNOR

700 CAPITOL AVENUE  
SUITE 100  
FRANKFORT, KY 40601  
(502) 564-2611  
FAX: (502) 564-2517

June 19, 2002

The Honorable Richard "Dick" Adams  
State Senator  
28 Court Street  
Madisonville, KY 42431

Dear Dick:

I want to personally update you on our plan to continue to operate state government in the absence of a legislatively enacted budget.

As you know, both the regular session and special session adjourned without a budget as a result of an impasse on the issue of election finance reform. The real question at issue in this impasse is whether one chamber of the General Assembly can effectively repeal a major public policy by refusing to provide the funding necessary for its implementation.

The parties have been unable to reach a solution that does not effectively repeal the current law governing the election of governors in Kentucky. Absent such a solution, I expect this issue to ultimately be settled by the courts.

Accordingly, I plan to implement a spending plan for FY 03 by Executive Order prior to July 1. This plan will be, so far as the law will allow, essentially the same as the budget proposal I prepared for the special session in April. That proposal included funding for nearly every item in the budgets that were passed by both the House and Senate in the regular session.

We have had a legal team conducting a thorough analysis of the Governor's executive authority in this unprecedented situation. It is clear that the Governor has broad, but not unlimited, authority to continue the operations of government and to do so in a way that maintains a balanced budget.



AN EQUAL OPPORTUNITY EMPLOYER M/F/D



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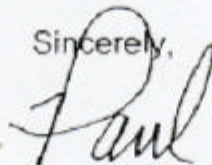
It is important for you to know that by adopting the spending plan I am not attempting to step into the role of the General Assembly. The spending plan will not be a budget. However, it will provide for the continuing operations of state government using as a guide the budgets passed by each chamber during the regular session.

There are certain aspects of a legislatively enacted budget that cannot be included in an executive spending plan. These include changes to tax policy, fee increases, and authorization of bond issues. However, the bonding delay may not have an impact as this will be a plan designed to keep state government operating for a period of time not to exceed one year. It is my expectation that this impasse will be resolved much more quickly than that. All of the debt service in the budget proposal was in the second year of the biennium.

I am taking every step possible to ensure that I am fulfilling my obligations as Governor in a way that conforms to what the members of the General Assembly have expressed as their intent through previous actions. But as Governor, I do have the responsibility to continue the necessary operations of state government in a way that is the least disruptive to the services our citizens want and deserve.

If you have any questions, please call me or any member of my executive staff.

Sincerely,

A handwritten signature in cursive script that reads "Paul".

Paul E. Patton